

**Exhibit 14**

**Expert Report of Kenneth Buckfire**

**UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION**

-----X	:	
In re	:	Chapter 9
	:	
CITY OF DETROIT, MICHIGAN,	:	Case No. 13-53846
	:	
Debtor.	:	Hon. Steven W. Rhodes
	:	
-----X	:	

**EXPERT REPORT OF KENNETH BUCKFIRE  
IN SUPPORT OF CITY OF DETROIT’S PLAN OF ADJUSTMENT**

Pursuant to F.R.Civ.P. 26(a)(2)(B), made applicable to this proceeding by Bank. R. 7026, debtor the City of Detroit submits this report with respect to the expected expert testimony of Kenneth Buckfire.

**Introduction**

Kenneth Buckfire is President, Managing Director and Co-Founder of the firm Miller Buckfire & Co. (“Miller Buckfire”). It is the City’s intention to call Mr. Buckfire to testify about the City’s access to the capital markets (including potential exit financing) and creditor recoveries under the City’s proposed plan of adjustment, including recoveries relating to the Detroit Water & Sewerage Department (“DWSD”), a comparison of plan recoveries versus the alternative of

dismissal of the case, and the discount rate utilized by the plan of adjustment with respect to Classes 7, 9, 12, 13 and 14.

## **I. Opinions**

Mr. Buckfire will offer the following opinions:

**A. *Access to the Capital Markets.*** The City will likely obtain access to the capital markets, including exit financing, in the near future on reasonable terms.

**B. *Plan Treatment Compared To Treatment Upon Dismissal.*** The City's creditors will be treated better under the City's plan of adjustment than if the bankruptcy case were dismissed.

**C. *DSWD Existence Of An Efficient Market.*** An efficient market exists for debt similar to the debt at issue with respect to the impaired issues of Class 1A of the plan of adjustment.

**D. *DWSD Market Rate Interest.*** The City's proposed interest rates set forth in Exhibit I.A.168 for impaired issues of Class 1A of the plan of adjustment provides holders with payments of a present value equal to the allowed amount of their claims.

**E. *Appropriate Plan Discount Rate.*** The discount rate used to estimate recoveries for Classes 7, 9, 12, 13 and 14 is reasonable and appropriate.

## **II. Basis and Reasons for Opinions**

### ***A. Access to the Capital Markets***

1. Mr. Buckfire believes that the City will be able to obtain exit financing and continued access to the capital markets in the near term on reasonable terms. He basis this belief on (a) the preliminary discussions with potential underwriters of the City's exit financing process, (b) the anticipated quantitative and qualitative characteristics of the City on a post-emergence basis, which in Mr. Buckfire's view, will make the City a much more attractive credit to potential lenders than before the bankruptcy, and (c) the City's ability to incur, and the favorable market response to, the City's post-petition financing.

2. The City, through its advisors, has recently commenced a process for soliciting exit financing. As of the date of this report, this process is still underway. Based on the information available to date, Mr. Buckfire believes that the exit financing process is likely to be successful and that the City will have continued access to the capital markets.

3. Upon consummation of the City's plan of adjustment, the City will have addressed and eliminated significant liabilities. This, in turn, will facilitate the City's ability to access the capital markets. In addition to other obligations, the City will have addressed and brought greater certainty and predictability with respect to its pension benefit and OPEB obligations. Because of the significance

of these obligations, and the fact that such obligations are driven by actuarial analyses and assumptions, such obligations have traditionally served as a significant obstacle in the City's financial planning efforts. The elimination and treatment of the City's significant prepetition liabilities will in Mr. Buckfire's opinion improve the City's attractiveness as a borrower on a post-emergence basis.

4. Mr. Buckfire believes that the City's revitalization plan will also contribute to its ability to access the capital markets going forward. The revitalization efforts are assumed to attract a new tax base for the City. In addition, the City's revitalization efforts are relatively flexible with respect to timing. Because of the flexible nature of much of the revitalization efforts, the City has increased control of its financial future and has flexibility to meet its reduced debt service obligations going forward. This differs markedly from the City's ability to manage its mandatory fixed legal obligations and other debt service prior to bankruptcy and serves as another significant consideration in Mr. Buckfire's analysis.

5. The City and the State of Michigan have also taken steps to remedy governance concerns. Due to recent state legislation, there will be State oversight of the City upon emergence that will make sure that the City will be able to meet its debt obligations on a post-emergence basis. All of these factors, in Mr.

Buckfire's view, suggest that the City will be able to access the capital markets on reasonable terms in the near future.

6. Mr. Buckfire also believes that the City's ability to access the capital markets, including with respect to exit financing, is further confirmed by the market's response to the City's post-petition financing facility. The City's post-petition financing facility was fully syndicated without any need for "market-flex." Further, Mr. Buckfire believes that the significant number of traditional municipal market institutional investors that participated in the City's exit financing further confirms that the investing community is and will be available to the City on a post-emergence basis.

***B. Plan Treatment Compared To Treatment Upon Dismissal***

7. The City's creditors will in Mr. Buckfire's view be treated better under the City's plan of adjustment than if the bankruptcy case were dismissed. It has already been determined that the City does not have sufficient funds to satisfy its obligations and that the City is service delivery insolvent. Nor, in Mr. Buckfire's opinion, will the City be able to access the capital markets in a dismissal scenario in order to timely meet creditor obligations. Given the lack of ability to meet creditor obligations, in a dismissal scenario, the City's various creditors will undoubtedly each seek to exercise their legal rights against the City, thereby creating a "race to the courthouse." Mr. Buckfire understands that, in this

scenario, creditors are unable to compel the City to sell assets or to take a lien on public property. Mr. Buckfire also understands that the City is at or near statutory maximums with respect to many of its taxes, the tax rate for Detroiters is objectively very high as compared to the region and similar cities, and attempts to materially increase taxes will likely increase delinquency rates and cause residents to leave the City. Accordingly, it is Mr. Buckfire's opinion that creditor recoveries upon dismissal will be *de minimis*.

8. Mr. Buckfire also believes that confirmation of the plan of adjustment offers several advantages over dismissal of the case. In his view, creditor distributions under the plan of adjustment benefit from the compromises reached by the City during the chapter 9 case, including significantly the "Grand Bargain" that infuses hundreds of millions of dollars into the City from state contributions, charitable foundations and the Detroit Institute of Arts. If the plan of adjustment were not confirmed and the City's case were dismissed, hundreds of millions of dollars would be unavailable to creditors. In addition, Mr. Buckfire believes that the order brought by and the protections of the Bankruptcy Code eliminate the chaos and inefficiency associated with a creditor "race to the courthouse."

9. Based on the above, and the assumptions set forth below, Mr. Buckfire believes that creditors will do better under the proposed plan of adjustment—with the accompanying settlements and compromises—than in a

dismissal scenario that does not benefit from such compromises or the bankruptcy stay. His opinion extends to all of the City's creditors, including DWSD-creditors, which rely on ratepayers to fund the DWSD system in amounts sufficient to meet capital expenditure requirements and bond obligations. If the City's bankruptcy case is dismissed, in Mr. Buckfire's opinion the DWSD and its creditors will not be insulated from the City's financial chaos and ruin.

***C. DWSD Existence Of An Efficient Market***

10. Mr. Buckfire believes that an efficient market exists for debt similar to the debt at issue with respect to the impaired issues of Class 1A of the plan of adjustment. To determine whether an efficient market existed, Mr. Buckfire examined the size and depth of the markets for debt similar to the debt at issue, the size and nature of the municipal debt markets as a whole, general economic factors, feedback from municipal underwriters, and his experience and expertise in the field. As part of his evaluation, Mr. Buckfire also examined trading and issuance levels of similar indebtedness, the availability of willing sellers and purchasers of such debt, and the existence of recent similar issuances.

***D. DWSD Market Rate Interest***

11. Mr. Buckfire believes that the proposed interest rates set forth in Exhibit I.A.168 of the plan of adjustment for impaired issues of Class 1A of the plan of adjustment provide holders with payments of a present value equal to the



allowed amount of their claims. The plan in his opinion will provide such holders with payments of a present value equal to the allowed amount of the claims because the rates set forth in Exhibit I.A.168 of the plan of adjustment are market interest rates for the applicable debt.

12. To arrive at a market interest rate, Mr. Buckfire (a) considered the nature of the debt at issue, including the nature, priority, type and revenue securing such debt, the degree of the open and well-developed market for municipal debt of this nature, and the principal amount of the debt, (b) reviewed DWSD's pro forma projections, restructured obligations and relevant prospective credit metrics, including leverage, coverage, the size of DWSD and the economic strength of the underlying communities, (c) evaluated comparable situations, such as recent issuances by the cities of Philadelphia and Pittsburgh, (d) reviewed available relevant published market indices and composite yield curves, specifically including the Bloomberg service's revenue-backed yield curve of municipal issuers and the revenue-backed yield curve for utility issuers with various investment grade ratings and (e) had discussions with capital market participants.

13. Based on his experience and expertise in the capital markets, Mr. Buckfire and his team constructed a yield curve for the senior and subordinated indebtedness that, in his opinion, reflects a market yield curve for the applicable

debt. Once established, Mr. Buckfire applied the yield curve to the applicable debt maturities to arrive at market interest rates.

***E. Appropriate Plan Discount Rate***

14. Based on Mr. Buckfire's experience and expertise, the 5% discount rate used to estimate recoveries for Classes 7, 9, 12, 13 and 14 is reasonable and appropriate under the circumstances. In determining the appropriateness of the discount rate, Mr. Buckfire considered the City's projections, including cash flow projections, the anticipated credit-worthiness of the City upon emergence, and the terms of the New B Notes. He compared these factors against rates that would be applicable to other issuers in the market. Based on these considerations, he concluded that the 5% discount rate utilized for Classes 7, 9, 12, 13 and 14 is reasonable and appropriate under the circumstances.

**2. Assumptions**

15. Mr. Buckfire has made certain significant assumptions with respect to one or more of the opinions rendered herein. Unless otherwise indicated, Mr. Buckfire's opinions are rendered as of the date hereof, and he has assumed that market conditions (including general economic conditions and conditions in the municipal debt markets) will not materially change prior to the confirmation of the City's plan of adjustment or the relevant event which is the subject of the particular opinion.

***A. Access to the Capital Markets.***

16. In addition to those general assumptions set forth above, in rendering his opinions with respect to the City's access to the capital markets, including access to exit financing, Mr. Buckfire has made the following two significant assumptions: (a) the City's plan of adjustment is confirmed, all conditions precedent to its effectiveness are satisfied, and the plan has or will upon the closing of an exit facility become effective, and (b) there is no material change in the City's projections prior to the incurrence of such financing.

***B. Plan Treatment Compared To Treatment Upon Dismissal.***

17. In addition to those general assumptions set forth above, in rendering his opinions regarding creditor recoveries upon dismissal, Mr. Buckfire has assumed (a) the City's projections, and all material assumptions underlying such projections, are materially correct in relevant respects, (b) the City is service delivery insolvent, (c) reinvestment initiatives are necessary to provide adequate levels of municipal services, (d) the absence of any reinvestment in the City will further deplete the City's tax base, (e) in a dismissal scenario, the City would be unable and it would be impractical for the City to raise taxes without further eroding revenue, and (f) in a dismissal scenario there is no requirement to sell City assets to satisfy creditor claims, whether such assets are characterized as core or non-core.

***C. DSWD Existence Of An Efficient Market.***

18. In rendering his opinions regarding the existence of an efficient market for the DWSD-related debt, Mr. Buckfire's material assumptions are only those general assumptions set forth above.

***D. DWSD Market Rate Interest.***

19. In addition to those general assumptions set forth above, Mr. Buckfire has assumed that the City's projections with respect to the DWSD system, and all material assumptions underlying such projections, are materially correct in relevant respects.

***E. Appropriate Plan Discount Rate.***

20. In addition to those general assumptions set forth above, Mr. Buckfire has assumed that the City's projections, and all material assumptions underlying such projections, are materially correct in relevant respects.

**III. Exhibits**

21. Attached as Exhibit A is a detail of the materials Mr. Buckfire considered in reaching his opinion and summary materials. Mr. Buckfire also considered discussions he had with his team, City employees and elected officials, as well as the City's third-party consultants and contractors. Mr. Buckfire also had available to him the expertise of, among others, Messrs. Malhotra and Moore.

#### **IV. Qualifications**

22. Mr. Buckfire's curriculum vitae is appended as Exhibit B.

#### **V. Prior Expert Testimony**

23. Mr. Buckfire has previously testified as an expert in this case with regard to the City's swap settlement and post-petition financing. Mr. Buckfire has previously testified as an expert in other cases, including Calpine Corporation, General Growth Properties and Dow Chemical.

#### **VI. Compensation**

24. Mr. Buckfire is not being separately compensated by the City for this Expert Report or his opinions expressed herein. Miller Buckfire receives at this time a \$300,000 monthly advisory fee. Miller Buckfire will receive a \$28 million restructuring fee, less a credit for certain amounts previously paid to Miller Buckfire, upon a recapitalization or restructuring of the City's debt securities and/or other indebtedness, obligations or liabilities, including a plan of adjustment.

Dated: July 8, 2014

Respectfully submitted,

  
Kenneth Buckfire

**Exhibit A**

## **Materials Considered:**

- Financial Stability Agreement between the State of Michigan and the City of Detroit (April 2012), available at POA00213650-POA00213708
- Memorandum of Understanding regarding the City of Detroit Reform Program (November 2012), available at POA00232576-POA00232590
- Emergency Manager's Financial and Operating Plan (May 2013), available at POA00649726-POA00649769
- Emergency Manager's Financial and Operating Plan slidedeck (June 2013), available at POA00231448-POA00231468
- City of Detroit's Proposal for Creditors (June 2013), available at POA00215882-POA00216015
- Quarterly Report of the Emergency Manager for the Period April 2013 - June 2013 (July 2013), available at POA00111033- POA00111044
- Emergency Manager's Report (September 2013), available at POA00165156-POA00165283
- Quarterly Report of the Emergency Manager for the Period September 2013 - November 2013 (December 2013), available at POA00297491- POA00297543
- Quarterly Report of the Emergency Manager for the Period October 2013 - December (January 2014), available at POA00109594- POA00109608
- Quarterly Report of the Emergency Manager for the Period December 2013 - February 2014 (March 2014), available at POA00296194- POA00296251
- Fourth Amended Disclosure Statement With Respect to Fourth Amended Plan for the Adjustment of Debts of the City of Detroit (with exhibits) (May 2014), available at (Docket No. 4391)
- Fourth Amended Chapter 9 Plan for the Adjustment of Debts of the City of Detroit (with exhibits) (May 2014), available at (Docket No. 4392)
- Quarterly Report of the Emergency Manager for the Period January 2014 - March 2014 (April 2014), available at POA00700417-POA00700433
- Transcript Syndication of \$120,000,000 City of Detroit Financial Recovery Bonds (June 2014), available at POA00706616- POA00706688
- Draft 2013 Comprehensive Annual Financial Report (June 2014), available at POA00531266- POA00531512
- 10-Year Plan of Adjustment Restructuring and Reinvestment Initiatives Bridge (June 2014), available at POA00706448- POA00706448
- 40-Year Plan of Adjustment Financial Projections (July 2014), available at POA 00706603- POA706611
- 10-Year Plan of Adjustment Restructuring and Reinvestment Initiatives (June 2014), available at POA 00706449- POA00706518
- 10-Year Plan of Adjustment Financial Projections (July 2014), available at POA 00706519- POA706600
- 40-Year Plan of Adjustment Financial Projections Bridge (July 2014), available at POA00706601- POA00706602
- EMMA Statistical Data (July 2014), available at POA00706615
- Bloomberg Curve Indices (July 2014), available at POA00706612

- Bloomberg Issuance Data (July 2014), available at POA00706613
- Bloomberg MMA Curve (July 2014), available at POA00706614
- DWSD Water Supply System Series 2011-C Senior Lien Bond Official Statement, available at POA00673708- POA00674003
- DWSD Sewage Disposal System, Series 2012-A Senior Lien Bond Official Statement, available at POA00666470- POA00666795
- City of Detroit CAFR for the Fiscal Year Ended 6/30/2008, available at Dataroom Index No. 8.1.2.6
- City of Detroit CAFR for the Fiscal Year Ended 6/30/2009, available at Dataroom Index No. 8.1.2.6
- City of Detroit CAFR for the Fiscal Year Ended 6/30/2010, available at POA00663851- POA664087
- City of Detroit CAFR for the Fiscal Year Ended 6/30/2011, available at POA00664088- POA00664323
- City of Detroit CAFR for the Fiscal Year Ended 6/30/2012, available at POA00664324- POA00664568
- City of Detroit Sewage Disposal Fund Basic Financial Statements for the year ended 6/30/2010, available at POA00245432- POA00245467
- City of Detroit Sewage Disposal Fund Basic Financial Statements for the year ended 6/30/2011, available at POA00245468- POA00245503
- City of Detroit Sewage Disposal Fund Basic Financial Statements for the year ended 6/30/2012, available at POA00245504- POA00245541
- City of Detroit Water Fund Basic Financial Statements for the year ended 6/30/2010, available at POA00245620- POA00245655
- City of Detroit Water Fund Basic Financial Statements for the year ended 6/30/2011, available at POA00245656- POA00245692
- City of Detroit Water Fund Basic Financial Statements for the year ended 6/30/2012, available at POA00245693- POA00245728

### **Summary Materials:**

- City of Detroit - Pro Forma Capitalization Table (Attachment 1)
- DWSD Financial and Ratings Information (Attachment 2)
- Rate Curve Charts (Attachment 3)



## **Attachment 1**

# CITY OF DETROIT - PRO FORMA CAPITALIZATION

\$ Millions  
July 2, 2014

		Reduction of Claim			
	Pre-Petition Balance	\$	%	Cash Distributions for Claim	Pro Forma Obligation <sup>(1)</sup>
<u>Debt Obligations</u>					
COPS Swap	\$290 <sup>(2)</sup>	(\$205)	71%	(\$85)	-
COPS	1,473	(1,311)	89%	-	162 <sup>(3)</sup>
UTGO (2010-A DSA) <sup>(4)</sup>	100	-	-	-	100
UTGO (Non DSA)	388	(100)	26%	-	288 <sup>(5)</sup>
LTGO (2010 & 2012-C DSA) <sup>(4)</sup>	379	-	-	-	379
LTGO (Non DSA)	164	(109)	66%	(55)	-
Notes/Loans Payable	34	(30)	89%	-	4 <sup>(3)</sup>
Other Unsecured Liabilities	150	(134)	89%	-	17 <sup>(3)</sup>
Exit Financing	-	-	-	-	300
<b>Total Debt Obligations</b>	<b>\$2,978</b>	<b>(\$1,889)</b>	<b>63%</b>	<b>(\$140)</b>	<b>\$1,249</b>
<u>Retiree Obligations</u>					
Pension UAAL	\$3,129	(\$1,682)	54%	-	\$1,447 <sup>(6)</sup>
OPEB UAAL	4,303	(3,833)	89%	(20)	450 <sup>(3)</sup>
<b>Total Retiree Obligations</b>	<b>\$7,432</b>	<b>(\$5,515)</b>	<b>74%</b>	<b>(\$20)</b>	<b>\$1,897</b>
<b>Total Obligations</b>	<b>\$10,410</b>	<b>(\$7,404)</b>	<b>71%</b>	<b>(\$160)</b>	<b>\$3,146</b>
Type of Obligation	Pre-Petition Balance	% of Total Obligations	Pro Forma Obligations	% of Total Obligations	% Reduction / (Increase)
UTGO (DSA & Non DSA)	\$488	5%	\$388	12%	20%
LTGO (DSA, Non DSA & New B Note)	543	5%	1,011	32%	(86%)
Retiree UAAL	7,432	71%	1,447	46%	81%
Other	1,947	19%	300	10%	85%
<b>Total</b>	<b>\$10,410</b>	<b>100%</b>	<b>\$3,146</b>	<b>100%</b>	<b>70%</b>

Source: City of Detroit Plan of Adjustment - 40 year projections draft of June 30, 2014. Assumes chapter 9 exit on October 31, 2014.

(1) Funded obligation amounts represent face value of obligations.

(2) Claim amount as of settlement date April 15, 2014.

(3) \$632 million pro forma B Note obligation is comprised of COPs (\$162 million), Notes/Loans Payable (\$4 million), Other Unsecured Liabilities (\$17 million) and OPEB (\$450 million).

(4) Secured by Distributable State Aid.

(5) Post emergence debt secured by Distributable State Aid.

(6) Pro forma pension UAAL of \$1,447 million per Milliman letters for GRS (\$847 million) dated April 25, 2014 and PFRS (\$553 million) dated April 23, 2014.



MILLERBUCKFIRE

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Page 18 of

## **Attachment 2**



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## Expert Report Reference Materials

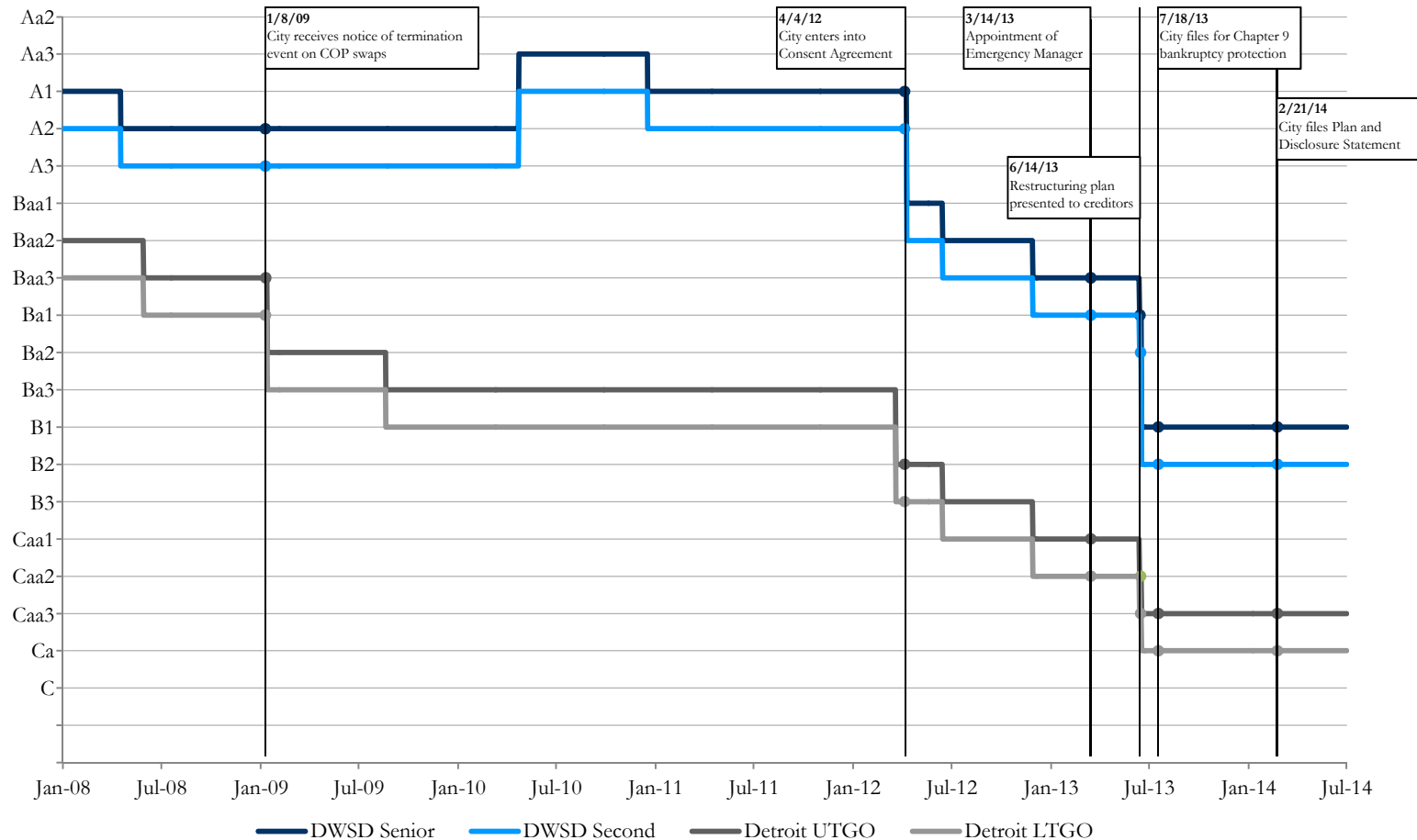
July 1, 2014

# HISTORICAL MOODY'S RATINGS

**Moody's downgrades of DWSD debt have resulted from concerns over the solvency of the City of Detroit**

- Commentary has not addressed the credit fundamentals of DWSD
- DWSD has maintained Moody's investment grade ratings with a significantly weaker credit profile

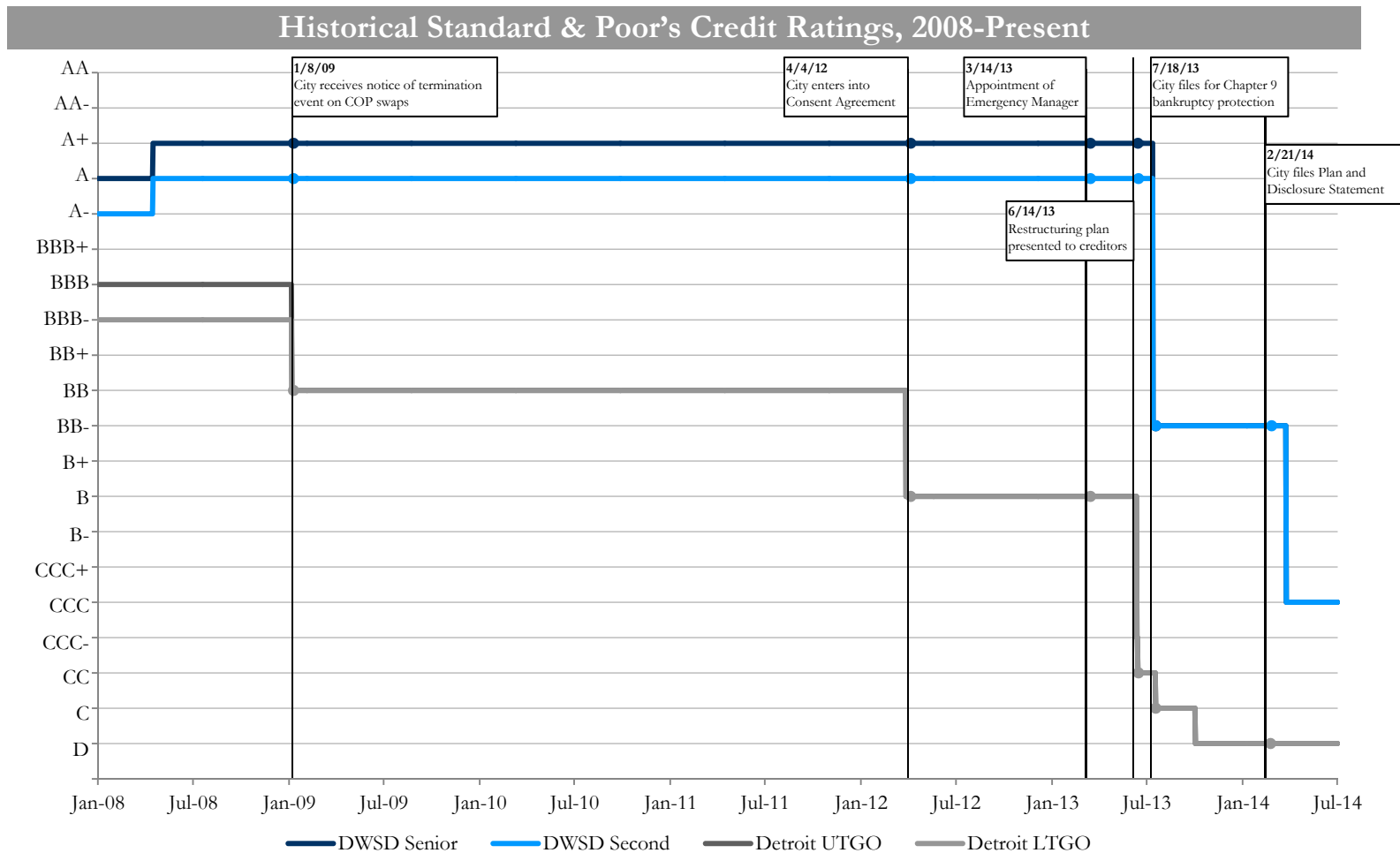
**Historical Moody's Credit Ratings, 2008-Present**



# HISTORICAL S&P RATINGS

**S&P downgrades of DWSD debt have resulted from the restructuring process of the City of Detroit**

- Commentary has not addressed the credit fundamentals of DWSD
- DWSD has maintained S&P investment grade ratings with a significantly weaker credit profile



# SELECTED FINANCIAL INFORMATION<sup>(1)</sup> (\$MM)

## Post-restructuring, DWSD will have a dramatically improved credit profile

- Debt service coverage ratios are forecasted to improve
- Legacy liabilities will be dramatically decreased and ongoing contributions reduced
- DWSD forecasts suggest the system will achieve rate stability while decreasing leverage

	Historical <sup>(1)</sup>					Projected <sup>(2)</sup>								
	2008	2009	2010	2011	2012	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Coverage<sup>(y)</sup></b>														
Water Senior Lien	1.86x	1.25x	1.33x	1.49x	1.67x	1.63x	1.78x	1.73x	1.77x	1.82x	1.99x	2.03x	2.04x	2.05x
Water Second Lien	1.35x	0.89x	0.94x	1.07x	1.27x	1.27x	1.37x	1.35x	1.39x	1.43x	1.50x	1.54x	1.56x	1.59x
Sewer Senior Lien	1.92x	1.75x	1.49x	1.70x	2.32x	2.06x	2.12x	1.98x	1.97x	2.03x	2.09x	2.18x	2.35x	2.21x
Sewer Second Lien	1.35x	1.23x	1.00x	1.11x	1.48x	1.38x	1.45x	1.46x	1.46x	1.52x	1.58x	1.64x	1.67x	1.68x
<b>Legacy Liabilities</b>														
<i>Pension</i>														
DWSD Contribution <sup>(s)</sup>	13.4	11.6	11.4	19.7	10.9	65.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4
GRS UAAL	42.7	(31.6)	276.7	481.5	639.9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<i>OPEB</i>														
DWSD Contribution	18.0	15.6	16.4	19.1	19.9	3.6	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Total OPEB UAAL	4,825.6	4,825.2	4,976.8	4,982.4	5,727.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<i>COPs/ Swaps</i>														
DWSD Contribution	9.2	9.8	10.3	11.1	11.7	4.5	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Total DWSD Contribution	\$40.7	\$37.0	\$38.1	\$50.0	\$42.4	\$73.5	\$48.3	\$48.3	\$48.3	\$48.3	\$48.3	\$48.3	\$48.3	\$48.3
<b>Rate Increases</b>														
<i>Water</i>														
Retail	6.9%	6.3%	5.2%	9.4%	9.0%	4.0%	6.0%	7.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Wholesale	5.1%	8.9%	6.4%	5.5%	8.9%	4.0%	6.0%	7.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
<i>Sewer</i>														
Retail	1.8%	14.8%	16.1%	10.2%	8.9%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Wholesale	2.5%	0.0%	8.2%	3.7%	11.8%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

(1) Source: City of Detroit CAFRs, DWSD audited financial statements and DWSD bond offering Official Statements.

(2) Source: Fourth Amended Disclosure Statement.

(y) Based on current debt service. Coverage may improve under POA terms.

(x) DWSD GRS contributions are projected to decrease materially post-2023, and may cease in their entirety depending on DWSD GRS funding levels.

- **Water Senior Lien Coverage**

- 2008:
  - DWSD Water Supply System Series 2011-C Senior Lien Bond Official Statement page 47
- 2009:
  - DWSD Water Supply System Series 2011-C Senior Lien Bond Official Statement page 47
- 2010:
  - DWSD Water Supply System Series 2011-C Senior Lien Bond Official Statement page 47
- 2011:
  - DWSD Water Supply System Series 2011-C Senior Lien Bond Official Statement page 47
- 2012:
  - DWSD Water Supply System Series 2011-C Senior Lien Bond Official Statement page 50

- **Water Second Lien Coverage**

- 2008:
  - DWSD Water Supply System Series 2011-C Senior Lien Bond Official Statement page 47
- 2009:
  - DWSD Water Supply System Series 2011-C Senior Lien Bond Official Statement page 47
- 2010:
  - DWSD Water Supply System Series 2011-C Senior Lien Bond Official Statement page 47
- 2011:
  - DWSD Water Supply System Series 2011-C Senior Lien Bond Official Statement page 47
- 2012:
  - DWSD Water Supply System Series 2011-C Senior Lien Bond Official Statement page 50

- **Sewer Senior Lien Coverage**

- 2008:
  - DWSD Sewage Disposal System, Series 2012-A Senior Lien Bond Official Statement page 55
- 2009:
  - DWSD Sewage Disposal System, Series 2012-A Senior Lien Bond Official Statement page 55



- 2010:
  - DWSD Sewage Disposal System, Series 2012-A Senior Lien Bond Official Statement page 55
- 2011:
  - DWSD Sewage Disposal System, Series 2012-A Senior Lien Bond Official Statement page 55
- 2012:
  - DWSD Sewage Disposal System, Series 2012-A Senior Lien Bond Official Statement page 60
- **Sewer Second Lien Coverage**
  - 2008:
    - DWSD Sewage Disposal System, Series 2012-A Senior Lien Bond Official Statement page 55
  - 2009:
    - DWSD Sewage Disposal System, Series 2012-A Senior Lien Bond Official Statement page 55
  - 2010:
    - DWSD Sewage Disposal System, Series 2012-A Senior Lien Bond Official Statement page 55
  - 2011:
    - DWSD Sewage Disposal System, Series 2012-A Senior Lien Bond Official Statement page 55
  - 2012:
    - DWSD Sewage Disposal System, Series 2012-A Senior Lien Bond Official Statement page 60
- **DWSD GRS Pension Contribution**
  - 2008:
    - City of Detroit CAFR for the Fiscal Year Ended 6/30/2008, page 116
  - 2009:
    - City of Detroit CAFR for the Fiscal Year Ended 6/30/2009, page 108
  - 2010:
    - City of Detroit Sewage Disposal Fund Basic Financial Statements for the year ended 6/30/2010, page 25 and
    - City of Detroit Water Fund Basic Financial Statements for the year ended 6/30/2010 page 26
  - 2011:
    - City of Detroit Sewage Disposal Fund Basic Financial Statements for the year ended 6/30/2011, page 24 and
    - City of Detroit Water Fund Basic Financial Statements for the year ended 6/30/2011 page 26
  - 2012:
    - City of Detroit Sewage Disposal Fund Basic Financial Statements for the year ended 6/30/2012, page 26 and

- City of Detroit Water Fund Basic Financial Statements for the year ended 6/30/2012 page 25
- **GRS UAAL**
  - 2008:
    - City of Detroit CAFR for the Fiscal Year Ended 6/30/2008, page 117
  - 2009:
    - City of Detroit CAFR for the Fiscal Year Ended 6/30/2009, page 109
  - 2010:
    - City of Detroit Sewage Disposal Fund Basic Financial Statements for the year ended 6/30/2010, page 26 or
    - City of Detroit Water Fund Basic Financial Statements for the year ended 6/30/2010 page 27
  - 2011:
    - City of Detroit Sewage Disposal Fund Basic Financial Statements for the year ended 6/30/2011, page 25 or
    - City of Detroit Water Fund Basic Financial Statements for the year ended 6/30/2011 page 26
  - 2012:
    - City of Detroit Sewage Disposal Fund Basic Financial Statements for the year ended 6/30/2012, page 27 or
    - City of Detroit Water Fund Basic Financial Statements for the year ended 6/30/2012 page 26
- **DWSD OPEB Contribution**
  - 2008:
    - City of Detroit CAFR for the Fiscal Year Ended 6/30/2008, page 120
  - 2009:
    - City of Detroit CAFR for the Fiscal Year Ended 6/30/2009, page 112
  - 2010:
    - City of Detroit Sewage Disposal Fund Basic Financial Statements for the year ended 6/30/2010, page 29 and
    - City of Detroit Water Fund Basic Financial Statements for the year ended 6/30/2010 page 30
  - 2011:
    - City of Detroit Sewage Disposal Fund Basic Financial Statements for the year ended 6/30/2011, page 28 and
    - City of Detroit Water Fund Basic Financial Statements for the year ended 6/30/2011 page 30
  - 2012:
    - City of Detroit Sewage Disposal Fund Basic Financial Statements for the year ended 6/30/2012, page 30 and
    - City of Detroit Water Fund Basic Financial Statements for the year ended 6/30/2012 page 29

- **OPEB UAAL**

- 2008:
  - City of Detroit CAFR for the Fiscal Year Ended 6/30/2008, page 120
- 2009:
  - City of Detroit CAFR for the Fiscal Year Ended 6/30/2009, pages 112 & 113
- 2010:
  - City of Detroit Sewage Disposal Fund Basic Financial Statements for the year ended 6/30/2010, page 30 or
  - City of Detroit Water Fund Basic Financial Statements for the year ended 6/30/2010 pages 30 & 31
- 2011:
  - City of Detroit Sewage Disposal Fund Basic Financial Statements for the year ended 6/30/2011, page 29 or
  - City of Detroit Water Fund Basic Financial Statements for the year ended 6/30/2011 pages 30 & 31
- 2012:
  - City of Detroit Sewage Disposal Fund Basic Financial Statements for the year ended 6/30/2012, pages 30 & 31 or
  - City of Detroit Water Fund Basic Financial Statements for the year ended 6/30/2012 page 30

- **DWSD COPs / Swaps Contribution**

- 2008:
  - City of Detroit CAFR for the Fiscal Year Ended 6/30/2007, page 109
- 2009:
  - City of Detroit CAFR for the Fiscal Year Ended 6/30/2008, page 109
- 2010:
  - City of Detroit CAFR for the Fiscal Year Ended 6/30/2009, page 101
- 2011:
  - City of Detroit Sewage Disposal Fund Basic Financial Statements for the year ended 6/30/2010, page 18 and
  - City of Detroit Water Fund Basic Financial Statements for the year ended 6/30/2010 page 18
- 2012:
  - City of Detroit Sewage Disposal Fund Basic Financial Statements for the year ended 6/30/2011, page 18 and
  - City of Detroit Water Fund Basic Financial Statements for the year ended 6/30/2011 page 18

- **Water Retail Rate Increases**

- 2008:
  - DWSD Water Supply System Series 2011-C Senior Lien Bond Official Statement page 45

- 2009:
  - DWSD Water Supply System Series 2011-C Senior Lien Bond Official Statement page 45
- 2010:
  - DWSD Water Supply System Series 2011-C Senior Lien Bond Official Statement page 45
- 2011:
  - DWSD Water Supply System Series 2011-C Senior Lien Bond Official Statement page 45
- 2012:
  - DWSD Water Supply System Series 2011-C Senior Lien Bond Official Statement page 45
- **Water Wholesale Rate Increases**
  - 2008:
    - DWSD Water Supply System Series 2011-C Senior Lien Bond Official Statement page 45
  - 2009:
    - DWSD Water Supply System Series 2011-C Senior Lien Bond Official Statement page 45
  - 2010:
    - DWSD Water Supply System Series 2011-C Senior Lien Bond Official Statement page 45
  - 2011:
    - DWSD Water Supply System Series 2011-C Senior Lien Bond Official Statement page 45
  - 2012:
    - DWSD Water Supply System Series 2011-C Senior Lien Bond Official Statement page 45
- **Sewer Retail Rate Increases**
  - 2008:
    - DWSD Sewage Disposal System, Series 2012-A Senior Lien Bond Official Statement page 52
  - 2009:
    - DWSD Sewage Disposal System, Series 2012-A Senior Lien Bond Official Statement page 52
  - 2010:
    - DWSD Sewage Disposal System, Series 2012-A Senior Lien Bond Official Statement page 52
  - 2011:
    - DWSD Sewage Disposal System, Series 2012-A Senior Lien Bond Official Statement page 52
  - 2012:
    - DWSD Sewage Disposal System, Series 2012-A Senior Lien Bond Official Statement page 52

- **Sewer Wholesale Rate Increases**

- 2008:
  - DWSD Sewage Disposal System, Series 2012-A Senior Lien Bond Official Statement page 52
- 2009:
  - DWSD Sewage Disposal System, Series 2012-A Senior Lien Bond Official Statement page 52
- 2010:
  - DWSD Sewage Disposal System, Series 2012-A Senior Lien Bond Official Statement page 52
- 2011:
  - DWSD Sewage Disposal System, Series 2012-A Senior Lien Bond Official Statement page 52
- 2012:
  - DWSD Sewage Disposal System, Series 2012-A Senior Lien Bond Official Statement page 52

### **Attachment 3**



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## Expert Report Reference Materials

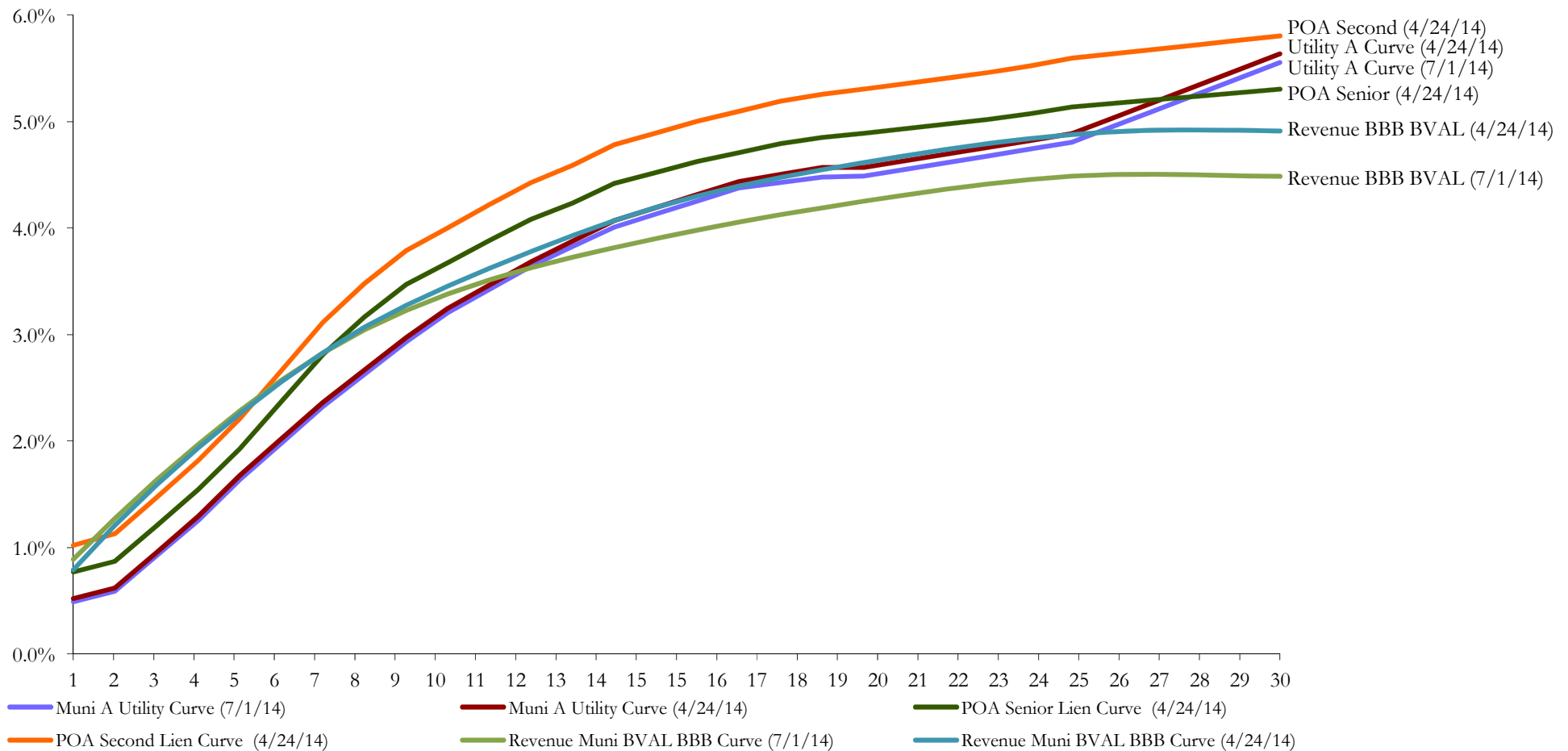
July 1, 2014



# YIELD CURVE COMPARISONS

- **BBB Revenue Muni BVAL Curve** - The curve represents the yield curve for tax-exempt revenue securities issued for the rating level. The yield curve is built using non-parametric fit of market data obtained from the Municipal Securities Rulemaking Board, new issues calendars, and other proprietary contributed prices.
- **US Muni Utility A Curve** - The curve is populated with US municipal bonds backed by utility revenues with an average rating of A by Moody's and S&P. The option-free yield curve is built using option-adjusted spread (OAS) model. The yield curve is comprised from contributed pricing from the Municipal Securities Rulemaking Board.

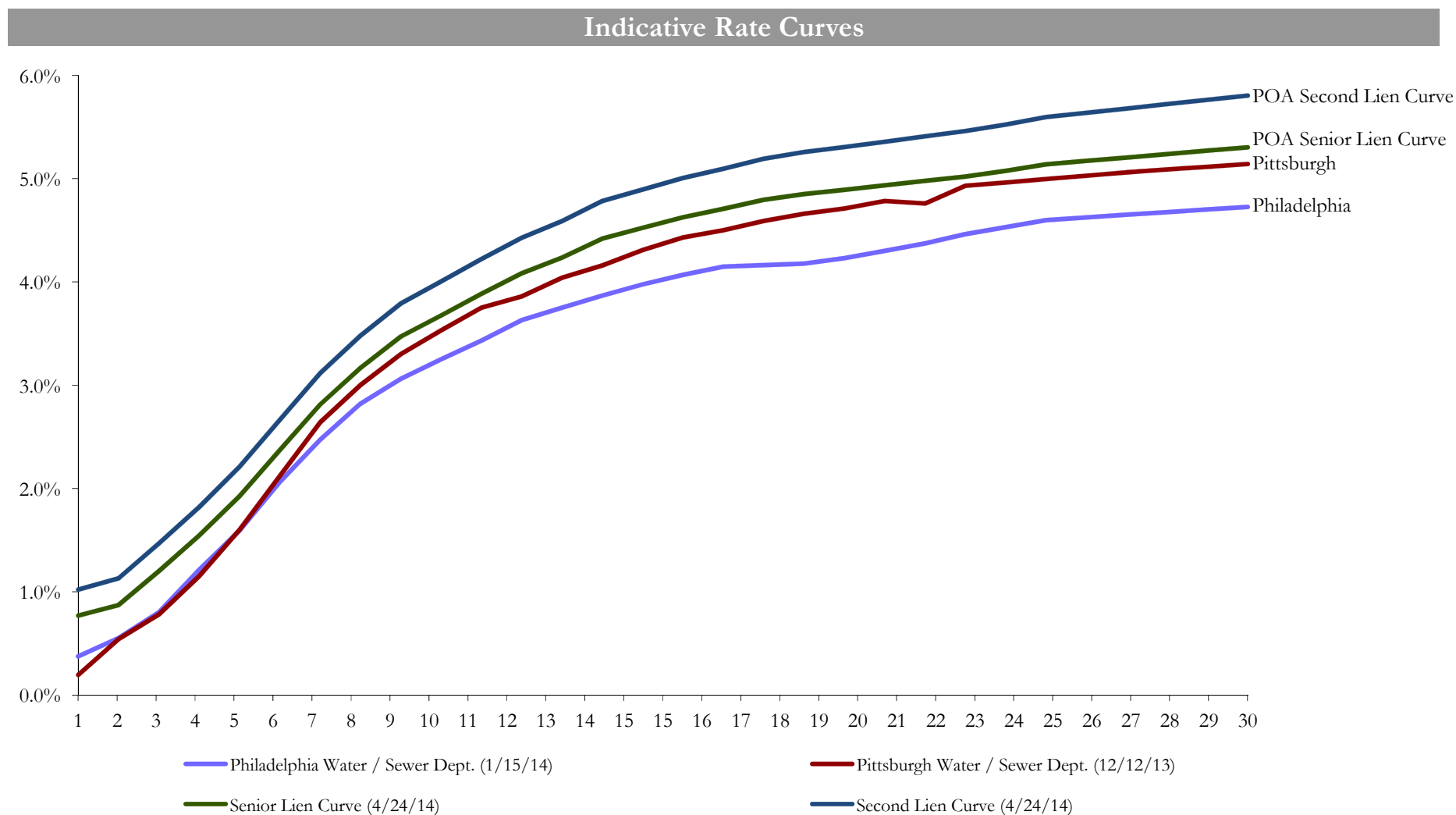
Muni Yield Curve Comparison



Source: Bloomberg.



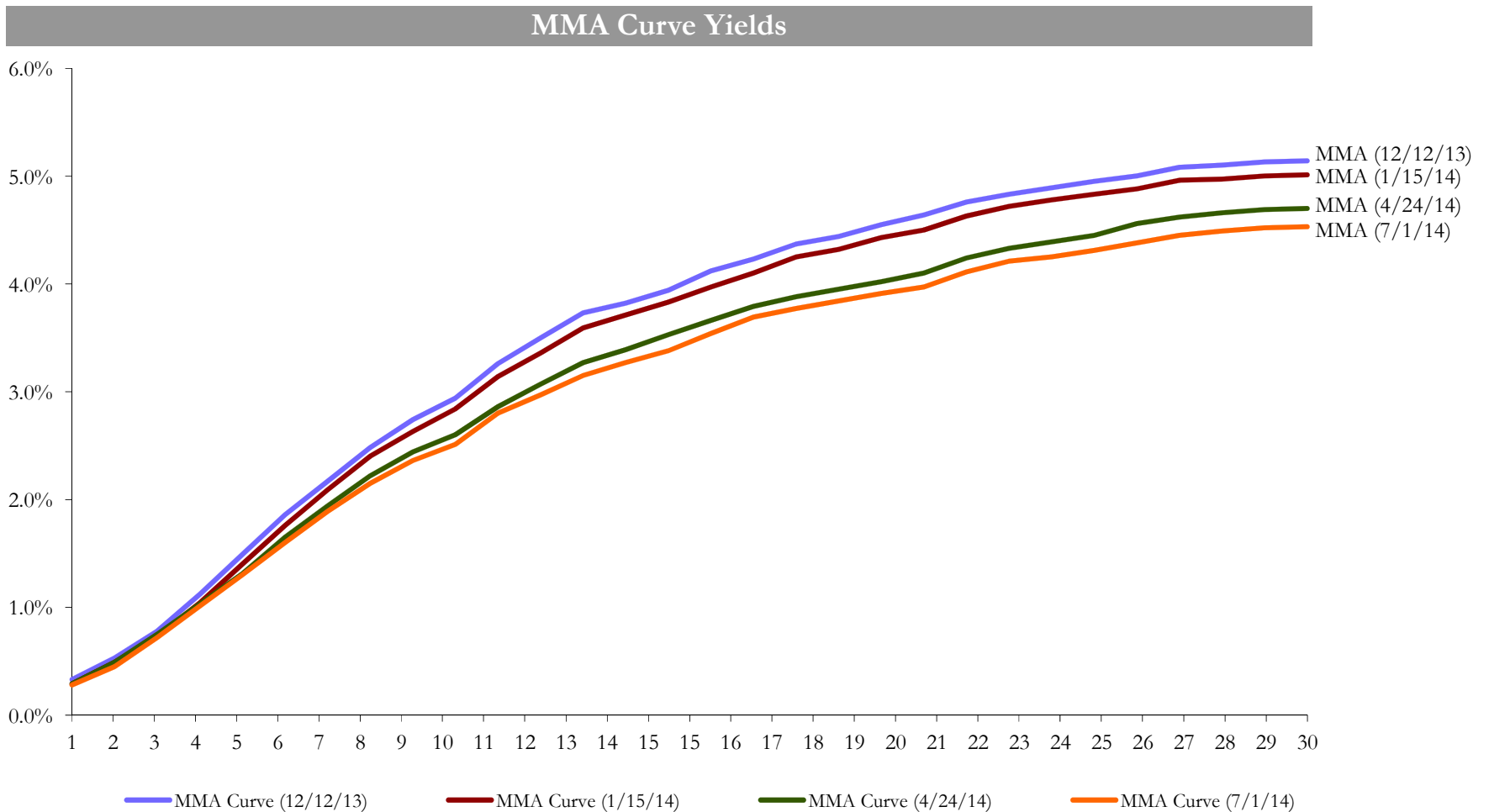
# YIELD CURVE COMPARISONS (CONT'D)



Source: Bloomberg.

# RECENT MMA CURVE YIELDS

- **MMA Yield Curve** – Represents a survey of leading investment firms regarding benchmark AAA GO levels. The data represents a "par coupon" structure and a 10-year par call. The inputs from each firm are monitored and statistically scrubbed to remove outliers and ensure historical consistency. Data is collected through the MMA website, [www.mma-research.com](http://www.mma-research.com).



Source: Bloomberg.



**MILLERBUCKFIRE**  
A Stifel Company

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Page 34 of

**Exhibit B**

# KENNETH A. BUCKFIRE

## EDUCATIONAL AND PROFESSIONAL BACKGROUND

Education		Selected Transaction Experience	
B.A., University of Michigan - 1980		Allegheny International	Mirant Corporation (Creditors' Committee)
M.B.A., Columbia University - 1987		Amoco Corporation	Niagara Mohawk Power
Employment		Cajun Electric	Northwest Power Enterprises
Miller Buckfire & Co., LLC		Calpine Corporation	Plantation Pipe Line
<i>Co-Founder, President and Managing Director</i> (July 2002 – present)		CenterPoint Energy	Reading & Bates
Dresdner Kleinwort Wasserstein (formerly Wasserstein Perella & Co.)		City of Detroit	Rowan Companies
<i>Managing Director</i> (1996 – 2002)		City of Stockton, CA	Santa Fe International
Lehman Brothers		Cleveland-Cliffs	Sedco
<i>Senior Vice President</i> (1991 – 1996)		CMS Energy	Southland Royalty Co.
Kidder Peabody & Co.		Dow Chemical	TECO Energy
<i>Vice President</i> (1990)		EUA Power Corporation	Texas New Mexico Power Company
Dillon Read & Co.		Excel Maritime	Texas Refining
<i>Associate</i> (1987 – 1989)		Explorer Pipeline	Tosco Corporation
Bridge Capital Partners		First Reserve Corporation	U.S. Generating Florida
<i>Associate</i> (1984)		Foamex	Williams Companies
MONY		General Growth Properties	
<i>Senior Investment Analyst</i> (1980 – 1983)		Horizon Natural Resources	
Governance		Imperial Sugar	
<u>Director</u> : Neurophage Pharmaceuticals		McDermott International	
<u>Director (Prior)</u> : ARK Information Services, Bulldog Communications, Great Bay Power Corp., Van Camp Seafood Corp. and Webfacts		Selected Expert Witness Experience	
<u>Trustee</u> : New York Philharmonic		Calpine Corporation	Dow Chemical (Re: Rohm & Haas litigation)
<u>Trustee (Prior)</u> : Orpheus Chamber Orchestra and Browning School		The City of Detroit	
		General Growth Properties	

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